Security for internet banking

2989. SHRI M.V. MYSURA REDDY: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Indian banks are facilitating more and more transactions on mobile and internet;

(b) whether it is also a fact that internet security in Indian Financial Institutions is considered as inferior when compared to other countries of the World; and

(c) what his Ministry is doing or proposes to do to counter cyber threat and protect customers?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) Banks in India have started taking many initiatives for facilitating transactions using internet and mobile phones.

(b) and (c) Reserve Bank of India has reported that from an Information Technology perspective, systems to take care of cyber threats and *mala-fide* attempts by unauthorized people are being implemented by banks. Vulnerability analysis, review of security levels on a regular basis, conduct of regular audit of the IT systems are some of the preventive measures in this regard. Customer education on attempts by unscrupulous elements is also provided by banks. In addition, reporting of such instances to the CERTIN (Computer Emergency Response Team-India) under the Ministry of Communications and Information Technology has also been provided for.

Ruling of AAR

2990. SHRIMATI BRINDA KARAT: Will the Minister of FINANCE be pleased to state:

(a) whether the Authority on Advance Rulings (AAR) in the case of 'Fidelity Advisory' in January, 2007 has ruled that their income will be taxed as capital gains and not as business income;

(b) whether the AAR has also in the case of Morgan Stanley ruled that income from derivatives would be classified as business income; and

(c) the details of steps taken by Government to tax the capital gains and business income by the Foreign Institutional Investors (FIIs)?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) AAR in the case of 'Fidelity Group' (AAR/678-686 and AAR/694—723) has, *vide* order dated 8/1/2007, held that on the basis of facts on record, the gains arising to the applicants from the sale of portfolio investments in India would be capital gains and could not be treated as business income.

(b) AAR in the case of Morgan Stanley and Co. International (AAR/611) has, *vide* order dated 29.11.04 held that on the basis of facts, the income derived by the applicant from trading in exchange traded derivative instruments would be business income and not capital gains.

(c) Taxation of capital gains and business income of a Foreign Institutional Investor is determined in accordance with the provisions of the Income-tax Act, 1961 and having regard to the Double Taxation Avoidance Agreement, if any, with the country of its residence.